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FROM U.S. MISSION IN ROME

BAGHDAD FOR AMBASSADOR NEGROPONTE AND USAID DIRECTOR  
STATE FOR NEA/IR AMBASSADOR RAPHEL, IO A/S HOLMES, IO/EDA  
USDA/FAS FOR U/S PENN, ETERPSTRA, MCHAMBLISS, RTILSWORTH AND  
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TAGS: [EAID](#) [EAGR](#) [AORC](#) [IZ](#) [WFP](#) [IRAQI](#) [FREEDOM](#)

SUBJECT: WFP'S VIEW ON THE PRESENT STATUS OF IRAQ'S PUBLIC  
DISTRIBUTION SYSTEM

REF: (A) ROME 00973, (B) ROME 00936

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Summary  
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1. (SBU) US Mission/Rome met with WFP senior officials on Iraq food commodity operations on June 27 and July 2. If current ration levels are maintained, the Iraq Public Distribution System (PDS) is likely to experience shortages in a number of commodities throughout the coming months, according to WFP's June 25 "PDS Pipeline Projection." There will be little or no buffer stock built up within Iraq as of July 1. Although the Iraqi Ministry of Trade has engaged in procurement of certain food commodities in recent months, information currently available indicates that just three Letters of Credit have been issued, suggesting that the schedules of listed arrival dates may be somewhat optimistic. Moreover, the management, structure and systems of the Ministry of Trade appear to have been disrupted over the course of the past year. In WFP's view, an overhaul of management and systems will be required for effective control of the PDS to be maintained. End summary.

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Background  
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2. (U) More than a year after the recent war and the end of sanctions, Iraqis continue to depend heavily on the public food distribution system (PDS). The chronically bad economic situation has particularly affected the education and health care sectors, placing children, women and the chronically sick most at risk.

3. (U) In the immediate aftermath of the war in Iraq in 2003, WFP was instrumental in preventing the collapse of the vital PDS supply chain, transporting 2.1 million metric tons of food commodities into the country under what was WFP's largest relief operation ever.

4. (U) At the end of 2003, CPA/Ministry of Trade (MoT) officially requested WFP to assist with the procurement and delivery of food for the PDS to mid-2004 (or until delivery of commodities was completed). Activities were defined through a tripartite Memorandum of Understanding signed by CPA, MoT and WFP in January 2004, and included: (a) procurement of commodities for the PDS; (b) renegotiation of some contracts already amended under UN SCR 1483; and (c) technical support and capacity building for MoT staff.

5. (SBU) Recent events in Iraq indicate a deterioration of security conditions which, in turn, has led to an increase in humanitarian needs in crisis areas. Food, however, does not appear to be an issue. Reports received by WFP from all 18 Iraqi governorates indicate that PDS food distribution to all Iraqis continues despite shortages.

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Status of 2004 WFP commodity purchases to support the PDS  
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6. (U) WFP concluded on 1 April the international procurement of 1.6 million metric tons (mts) of food, as follows: wheat, 897,500 mts; rice, 222,500 mts; vegetable ghee, 121,500 mts; sugar, 201,700 mts; tea, 24,000 mts; milk, 58,600 mts; salt, 19,670; infant formula, 4,800 mts; soap, 13,000 mts; and detergent, 56,700 mts. Total,

1,619,970 metric tons, valued at U.S. \$581,524,041.

17. (SBU) Over 730,000 mt of commodities have been so far delivered to all MoT warehouses in the 18 Iraqi governorates (about 420,000 mts in June). The delivery operation is expected to be concluded by September 2004.

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WFP's analysis of the PDS pipeline and buffer stocks  
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18. (SBU) The latest Iraq PDS Pipeline projection produced by WFP, dated June 25, projects shortfalls in a number of the commodities to be distributed to the Iraqi population in the monthly food-basket. Of critical importance over the course of the next three months are Infant Formula, Weaning Cereals, Pulses and Soap. Procurement of national wheat by the Ministry of Trade is now ongoing, but projections for future months' arrivals have not been confirmed.

19. (SBU) For example, MoT projects a total of 681,000 mts of Oil-For-Food commodities to be delivered into Iraq during the period June to December. The WFP Pipeline projection shows 229,866 mts of Oil-For-Food commodity arrivals for the same period, based on documentation received by WFP indicating intended or actual dispatch of the commodities and information on arrivals and discharge of vessels carrying OFF rice and wheat.

110. (SBU) On buffer stocks, by September 1, the MoT projection shows a 3-month buffer stock achieved for salt, with a 2-month buffer stock achieved for milk, tea, pulses and national wheat. WFP, on the contrary, does not believe that a 3-month buffer stock will have been created either by July 1 or by September 1 for any commodity.

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Logistical constraints affecting the PDS pipeline  
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11. (SBU) In the delivery of WFP cargoes to date, a number of operational constraints have been encountered which directly impact on the delivery of goods to Iraq:

1A. Congestion at border crossings. A heavy flow of military/commercial transport leaving Iraq on the Turkish border crossing has severely extended truck turn-around time in this corridor. WFP has requested that a dedicated lane or procedure be established to expedite the flow of trucks designated for food commodities.

1B. Security inside Iraq. The security situation in the country, particularly in the South, has resulted in a disruption of deliveries to central MoT warehouses. Certain areas (e.g. Najaf, Karbala) are effectively "no go" areas, where insecurity is so acute that truck drivers are unwilling to deliver cargo to these locations.

1C. Increase in transport prices. Fuelled in part by the issues mentioned above, as well as an increased demand for transport from commercial traffic, transport prices have spiraled upwards in the course of the past month. Military and private commercial entities are now paying a premium to ensure sufficient transport to meet their requirements. WFP, bound by long-term transport contracts with fixed rates established in March, is finding its transport companies unable to provide the contractual supply of trucks. This has resulted in lower-than-projected dispatch rates, affecting expected delivery of commodities for the PDS.

1D. Port of Umm Qasr bottleneck. Operational, political and security issues continue to affect the port of Umm Qasr, rendering discharge of vessels undependable. Confused lines of authority and control of port management have further limited efficiency.

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MoT - Operational worries/WFP-assisted capacity building  
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12. (SBU) WFP contends that, within the Ministry of Trade, the disrupted structure and a senior and middle management with limited official authority has had a direct impact on operations. Instructions emanating from MoT Baghdad are often disregarded by MoT representatives at the governorate level (this has been further exacerbated by a lack of dependable communications within the country).

13. (SBU) On WFP-assisted/MoT capacity building, there is a current two-month secondment exercise with WFP in Rome for a group of ten individuals drawn from the Ministry of Trade and the Ministry of Transport. CPA had expressed the intention of creating a Logistics Cell within the MoT, made up of the individuals currently undergoing this training.

However, more senior officials from the Ministry of Trade have repeatedly stated their belief in the benefits of continuing to procure and manage food commodities in accordance with the systems of the past decade. In WFP's view, it appears unlikely, therefore, that any immediate changes will occur in the culture and management of the Ministry of Trade as a result of the current capacity-building activities.

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WFP recommendations to address the current situation  
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14. (SBU) The following represent priority areas for action in order to ensure effective management of the PDS in the coming months:

A. Continued involvement by USG dedicated food security personnel with the Ministry of Trade. USAID personnel specialized in food security and commodity management should remain intimately involved with Ministry of Trade officials to oversee management of the PDS and its support functions.

B. Establishment of a Ministry of Trade presence in corridor countries. The Ministry of Trade would greatly benefit from re-establishing its coordination offices in key ports and border crossing points, allowing for greater control of discharge and onward transport operations.

C. Ensuring sufficient funding to continue procurement activities. Funding must be available to ensure the continued procurement of commodities required for the PDS.

D. Establishment of regular and effective data management systems in Baghdad and at governorate level. A commitment to technology and systems will be necessary to achieve integrity of the core data used to manage the PDS. In addition, strong oversight and mechanisms for reconciling and addressing data inconsistencies will need to be introduced.

E. Review of MoT procurement practices. Budgetary and efficiency considerations will likely dictate a transition from the current practice of procuring commodities on a CIF (Commodity, Insurance, Freight) basis to Free on Board/Free Carrier Alongside (FOB/FCA) contracts, resulting in cost savings and providing MoT with increased control over the supply chain.

F. Review and reform of PDS. The new Government of Iraq will need to carefully examine the continued viability of the PDS and the possibility of reforming this system to something more sustainable in the long-term while maintaining essential social safety nets.

G. Achievement of Buffer Stock. In order to achieve a 3-month buffer stock of the PDS food-basket commodities by October 1 (one month's supply plus a three-month buffer stock), procurement of a total of approximately 1.89 million MT of additional commodities is required.

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Comment from Ambassador Hall to Ambassador Negroponte  
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15. (SBU) Under Jim Morris' leadership, our WFP colleagues have shown wonderful commitment to Iraq and have consistently been upfront and candid with the US Mission in their assessments of what works and what needs fixing. Given the number of emergency operations on their plate, they are not anxious to maintain a major presence in Iraq for any longer than absolutely necessary. On the PDS procurement-side, the WFP "curtain" will come down by September and they will move off the PDS procurement stage. We all need to ensure that the turnover is smooth and the new government is positioned to carry out this big job of keeping the PDS functioning until a better safety net can be devised.

16. (U) Baghdad minimize considered. Hall

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